GOVERNMENT OF INDIA
PLANNING
LOK SABHA

UNSTARRED QUESTION NO:2368
ANSWERED ON:11.03.2016
Gross State Domestic Product
Reddy,Kotha Prabhakar

Will the Minister of PLANNING be pleased to state:

(a) whether 14th Finance Commission has recommended for relaxation in borrowing limit of States from 3 to 3.5 percent of Gross State Domestic Product (GSDP) for the States, if so, the details thereof;
(b) whether the various States including Telangana Government has requested the NITI Aayog for allowing the use of funds for its developmental works in the State, if so, the details thereof; and
(c) whether NITI Aayog has taken any decision in this regard and if so, the details thereof?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) FOR MINISTRY OF PLANNING
AND MINISTER OF STATE FOR DEFENCE
RAO INDERJIT SINGH

(a) As per the 14th Finance Commission, annual borrowing limits for the States during the award period are enunciated as follows:

I. Fiscal deficit of all States will be anchored to an annual limit of 3 per cent of GSDP. The States will be eligible for flexibility of 0.25 per cent over and above this for any given year for which the borrowing limits are to be fixed if their debt-GSDP ratio is less than or equal to 25 per cent in the preceding year.
ii. States will be further eligible for an additional borrowing limit of 0.25 per cent of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 per cent of the revenue receipts in the preceding year.
iii. The two options under these flexibility provisions can be availed of by a State either separately, if any of the above criteria is fulfilled, or simultaneously if both the above stated criteria are fulfilled. Thus, a State can have a maximum fiscal deficit-GSDP limit of 3.5 per cent in any given year.
iv. The flexibility in availing the additional limit under either of the two options or both will be available to a State only if there is no revenue deficit in the year in which borrowing limits are to be fixed and the immediate preceding year. If a State is not able to fully utilise its sanctioned borrowing limit of 3 per cent of GSDP in any particular year during the first four years of the award period (2015-16 to 2018-19), it will have the option of availing this un-utilised borrowing amount (calculated in rupees) only in the following year but within the award period

(b) & (c): State Governments including Telangana have been requesting NITI Aayog time to time, for providing fund for their developmental works in 2015-16. In FY 2015-16, Rs.450 crore has been provided to Telangana State by NITI Aayog from Special Assistance available under Demand no.37 of Union Budget 2015-16 for development of 9 identified backward districts of Telangana namely, Adilabad, Nizamabad, Karimnagar, Waranagal, Medak, Rangareddy, Nalgonda, Khammam and Mahabubnagar.